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Economic Research Service, U.S. Department of Agriculture

SHIPPERS' COSTS OF ASSEMBLING AND DISTRIBUTING WESTERN
COTTON, BY TYPES, MARKET TRADING AREAS, AND SALES OUTLETS, SEASON 1964-65 1/

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Purpose, methods, and limitations of study.--The study covered in part by this report was largely designed to provide current detailed estimates of the major costs of marketing American lint cotton. These and the related data obtained from the study are needed for measuring changes in marketing costs, to help find ways of increasing cotton marketing efficiencies, and for evaluating existing and proposed policies and programs affecting cotton. Information was obtained largely from a sample of the cotton shipping firms and marketing associations located in the 15 markets designated for establishing official price quotations for U.S. cotton. The cost estimates reflect, within reasonable limits, variations in the kind, amount, rates, and efficiencies of the services involved in assembling cotton, in specified Cotton Belt regions and market trading areas and in delivering it to customers throughout the world.

This summary report includes such estimates for cotton purchased in each of 3 trading areas within the Western region and shipped to 9 specified outlets. (See footnote 1 below and table on reverse side of this sheet). These estimates are based largely on data from shippers located in the Bakersfield, El Paso, Fresno, and Phoenix markets.

Costs for all Western areas combined.--The weighted average total cost per bale to shippers of assembling and distributing Western cotton to all outlets combined during the 1964-65 season was \$21.31. (See table). About half of this total was accounted for by transportation and related costs. The other costs and their approximate percentage of the total were: Carrying costs, 18 1/2 percent; compression, 9 1/2 percent; overhead, 6 percent; warehouse services other than storage, 5 percent; selling, 4 percent; buying and local delivery, 4 percent; and miscellaneous, 2 percent.

Costs by trading areas and outlets.--The market trading area with the lowest average total cost per bale--\$20.31--was the El Paso area. The estimates for the Fresno-Bakersfield and Phoenix areas were \$21.19 and \$22.22 respectively. The distribution of each of these totals by types of cost is quite similar to the distribution indicated above for the three trading areas combined.

Of the sales outlets for which separate estimates were included, shippers' total costs per bale ranged from a low of \$16.83 for sales from the El Paso area to Alabama-Georgia mills to a high of \$32.26 for sales from the Phoenix area to India. Total costs for the 2 major domestic outlets of Group 201 mills and Alabama-Georgia mills ranged from \$18.25 to \$19.14 and \$16.83 to \$19.78, respectively. Similar costs for sales to Japan and Europe, the largest foreign outlets ranged from \$25.41 to \$25.50 and \$24.75 to \$24.97, respectively. By far the most important variations in costs between outlets as well as between areas of purchase were due to transportation and related services.

1/ The Western region as used in this report includes all of Arizona, California, and New Mexico, and Crop Reporting District 6 of Texas. The market trading areas within the region correspond very largely with the areas used in establishing official price quotations in the El Paso, Fresno, and Phoenix markets.

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Shippers' average cost per bale of assembling and distributing Western cotton, by trading areas and outlets
season 1964-65 1/

Trading area where purchased	Buying : and : local : delivery :	Carrying : costs : and : exchange :	Warehouse : services : other than : storage :	Compres- : sion, : patches, : & marks :	Transp. : and re- : lated : services :	Sell- : ing : 7/ :	Miscel- : laneous : 8/ :	Over- : head : 9/ :	Total : 10/ :
Outlet to which shipped	2/	3/	4/	5/	6/	7/	8/	9/	10/
----- Dollars -----									
El Paso area:									
Group 201 mills.....	0.52	3.48	1.49	1.99	6.56	1.13	.53	2.55	18.25
Ala. and Ga. mills....	.65	2.96	1.28	2.00	5.99	1.10	.44	2.41	16.83
Group 200 mills 11/....	--	--	--	--	--	--	.67	2.58	19.45
New England mills.....	.91	3.13	1.34	1.97	8.24	.98	.25	2.04	18.86
Other domestic 11/....	--	--	--	--	--	--	--	--	--
Total domestic.....	.53	3.47	1.47	1.99	6.58	1.13	.53	2.53	18.23
Europe.....	.85	2.29	1.39	2.32	13.14	1.82	.48	2.46	24.75
Japan 11/.....	--	--	--	--	--	--	.32	--	--
India.....	.71	2.56	1.54	2.50	18.87	1.56	1.39	2.65	31.78
Other foreign 11/.....	--	--	--	--	--	1.90	--	--	--
Total foreign.....	.79	2.42	1.46	2.41	16.16	1.70	.90	2.53	28.37
All outlets.....	.58	3.24	1.47	2.07	8.57	1.25	.60	2.53	20.31
Fresno-Bakersfield area:									
Group 201 mills.....	.92	3.82	.97	1.86	9.18	.64	.33	1.09	18.81
Ala. and Ga. mills....	.76	4.67	.99	1.90	9.17	.61	.42	1.26	19.78
Group 200 mills 11/....	--	--	--	--	--	--	--	--	--
New England mills.....	.92	4.22	1.03	1.86	10.75	.68	.40	1.29	21.15
Other domestic.....	1.09	3.91	.87	1.88	7.64	.62	.50	1.32	17.82
Total domestic.....	.93	3.87	.97	1.86	9.19	.64	.35	1.12	18.93
Europe.....	.90	3.83	.95	2.35	13.89	1.20	.50	1.35	24.97
Japan.....	.64	4.84	.98	2.38	13.85	1.11	.47	1.13	25.41
India.....	.85	3.47	1.00	2.21	17.67	1.55	.53	1.41	28.69
Other foreign.....	.68	5.31	.99	2.40	14.98	1.66	.51	1.11	27.64
Total foreign.....	.75	4.43	.98	2.34	14.92	1.36	.50	1.21	26.49
All outlets.....	.88	4.04	.97	2.00	10.90	.86	.39	1.15	21.19
Phoenix area:									
Group 201 mills.....	.83	3.99	1.04	1.84	9.14	.66	.44	1.20	19.14
Ala. and Ga. mills....	.61	4.51	1.03	1.87	9.13	.60	.37	1.18	19.30
Group 200 mills 11/....	--	--	--	--	--	--	--	--	--
New England mills.....	.80	4.65	1.05	1.86	10.75	.65	.40	1.27	21.43
Other domestic 11/....	--	--	--	--	--	--	--	--	--
Total domestic.....	.81	4.09	1.04	1.85	9.17	.65	.44	1.19	19.24
Europe.....	.91	3.37	1.00	2.41	14.18	1.25	.35	1.34	24.80
Japan.....	.86	3.58	1.05	2.44	14.47	1.08	.41	1.60	25.50
India.....	1.24	4.75	1.07	2.20	18.08	1.69	1.50	1.73	32.26
Other foreign.....	.73	5.28	1.01	2.39	15.09	1.16	.59	1.11	27.37
Total foreign.....	.92	4.12	1.03	2.37	15.26	1.26	.65	1.47	27.08
All outlets.....	.85	4.11	1.04	2.05	11.47	.88	.52	1.30	22.22
Western region:									
Group 201 mills.....	.85	3.81	1.06	1.87	8.81	.71	.38	1.32	18.81
Ala. and Ga. mills....	.71	4.35	1.05	1.91	8.62	.69	.41	1.44	19.17
Group 200 mills.....	.99	2.85	1.17	1.93	8.10	.99	.60	2.14	18.77
New England mills.....	.90	4.21	1.06	1.87	10.54	.70	.39	1.35	21.02
Other domestic.....	1.00	4.24	.89	1.88	7.63	.61	.50	1.27	18.03
Total domestic.....	.85	3.85	1.06	1.88	8.80	.71	.39	1.34	18.88
Europe.....	.89	3.50	1.02	2.36	13.84	1.30	.46	1.51	24.88
Japan.....	.72	4.40	1.01	2.39	14.10	1.10	.45	1.30	25.48
India.....	.92	3.62	1.11	2.26	17.98	1.58	.92	1.72	30.11
Other foreign.....	.69	5.22	1.01	2.40	15.05	1.53	.54	1.15	27.59
Total foreign.....	.80	4.18	1.03	2.36	15.12	1.36	.58	1.41	26.84
All outlets.....	.83	3.95	1.05	2.02	10.74	.91	.45	1.36	21.31

1/ See reverse side for procedures and data limitations. 2/ Commissions or comparable direct buying costs, and local delivering expenses. 3/ Includes insured storage, interest, and exchange. 4/ Receiving and outlanding and, for some bales, reweighing, resampling and other special services. 5/ Patches and marks in overseas shipments. 6/ Overseas shipments include marine insurance and, for some areas, wharfage, forwarding, and controlling. 7/ Commissions or comparable direct selling costs. 8/ Rejections and quality adjustments on sales, bad debts, and fiber test fees. 9/ Salaries and bonuses not covered in buying and selling, office rent, property taxes, insurance, depreciation, communication, advertising, donations, social security taxes, and professional fees. 10/ Excludes operating margins. 11/ Insufficient information to permit separate estimates.

